

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Transferring Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

**MOTION OF PARCEL SHIPPERS ASSOCIATION
FOR ISSUANCE OF INFORMATION REQUEST**
(April 14, 2021)

Pursuant to 39 CFR §§ 3010.160(a) and 3010.170(e), Parcel Shippers Association (PSA) respectfully requests that the Presiding Officer issue an information request to obtain additional clarifying data and information from the Postal Service concerning its request¹ to transfer Bound Printed Matter (BPM) Parcels from the Market Dominant product list to the Competitive product list.

PSA shares the concern expressed by others² that the BPM Parcels product is not a Competitive product under the PAEA.³ In that Act, Congress defined Bound Printed Matter as a Market Dominant product. See 39 U.S.C. §3621(a)(7). The PAEA provides for the transfer of products from the Market Dominant category to the Competitive if, and only if, the product does not meet the criteria for inclusion in the market-dominant category:

The market-dominant category of products shall consist of each product in the sale of which the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products. The competitive category of products shall consist of all other products.

See 39 U.S.C. §3642(b)(1).

¹ United States Postal Service Request to Transfer Bound Printed Matter Parcels to the Competitive Product List (March 26, 2021) ("Request").

² Motion of the Association for Postal Commerce for Issuance of Information Request (April 12, 2021).

³ Postal Accountability and Enhancement Act (PAEA), Public Law 109-435, December 20, 2006.

The questions below seek information relevant to whether, in fact, the Postal Service exercises sufficient market power to avoid losing business to other firms if it sets the price for BPM Parcels substantially above costs, raises prices significantly, decreases quality or decreases output.

Respectfully submitted:

/s/ James Pierce Myers

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PROPOSED QUESTIONS

1. Please provide volume and revenue shares by company and product of the domestic market for the delivery of packages that meet the eligibility requirements for BPM Parcel rates. Please provide all underlying calculations and source documents.
2. Please refer to page 4 of the Request where it states, "BPM Parcels typically carry books, other non-advertising publications, and larger catalogs." Please provide BPM Parcel revenue, pieces, and weight disaggregated into these three categories.
3. Please refer to pages 6-7 of the Request where it states, "BPM Parcels competes primarily against products offered by United Parcel Service (UPS) and FedEx Corporation (FedEx). Both companies offer a service called 'Ground.' Neither product has a content restriction. Both charge by the pound and by zone for ground deliveries of packages large and small (up to 150 pounds). Delivery within the continental United States is guaranteed within five days." Please refer further to page 4 of the Request where it states, "Transportation of BPM Parcels is by ground, with a service standard of 2-9 days, though the Postal Service does not guarantee delivery within this time."
 - a. What percentage of BPM Parcel volume has a 2-day service standard?
 - b. What percentage of BPM Parcel volume has a 3-day service standard?

- c. What percentage of BPM Parcel volume has a 4-day service standard?
 - d. What percentage of BPM Parcel volume has a 5-day service standard?
 - e. What percentage of BPM Parcel volume has a 6-day service standard?
 - f. What percentage of BPM Parcel volume has a 7-day service standard?
 - g. What percentage of BPM Parcel volume has a 8-day service standard?
 - h. What percentage of BPM Parcel volume has a 9-day service standard?
4. Please refer to page 10 of the Request where it states, "There are, conceivably, circumstances in which the Postal Service might exercise monopoly power over BPM Parcels. Assuming, for the sake of argument, that the Postal Service were the only competitor logistically capable of providing last-mile delivery, other competitors seeking to deliver BPM Parcels would be compelled to route their packages through the Postal Service, paying accordingly. In such a case, the Postal Service could, with impunity, raise prices significantly above cost and degrade service delivery times, all without losing business. Competitors and customers would have no alternatives."

Please confirm that if the prices offered by USPS competitors that have their own last-mile delivery networks are substantially higher than USPS BPM Parcel prices for packages with similar characteristics, then USPS would have substantial power over the BPM Parcels market. If not confirmed without qualification, please explain your response fully.

5. Please refer to the Postal Service's FY 2020 Public Cost and Revenue Analysis.
- a. Please confirm that the FY 2020 systemwide cost coverage across all mail and services was 155.9% (\$72,341.6 million / \$46,414.4 million). If not confirmed, please provide the correct figure and all underlying calculations.
 - b. Please confirm that if the BPM Parcel product had the systemwide cost coverage, its FY 2020 average revenue per piece would have been \$1.841. If not confirmed, please provide the correct figure, all underlying calculations, and explain fully.
 - c. Please confirm that this hypothetical BPM Parcel average revenue per piece (at systemwide cost coverage) figure is significantly lower than UPS and FedEx Ground published prices. If not confirmed, please explain fully.

6. Please refer to page 12 of the Request where it states:

UPS, for example, retains some volume for its own last-mile network where it has sufficient delivery density. This practice is made explicit in UPS's most recent contract with the Teamsters union. The contract requires UPS to identify when SurePost packages are destined to multiple addresses in close proximity to one another and retain those packages for delivery rather than delivering them through the Postal Service:

The Company [UPS] will continue to use technology that identifies two or more Surepost [sic] packages to be delivered to the same address and/or any combination of Surepost [sic] package(s) and ground package(s) to be delivered to the same address. In such circumstances, all of the Surepost [sic] package(s) and ground package(s) will be delivered by package drivers. The Company will maintain and update the technology that identifies multiple addresses in close proximity to which any combination of Surepost [sic] and ground packages are to be delivered.

- a. Please confirm that this contract provision requiring UPS to cherry pick some SurePost packages to be delivered by UPS drivers includes no language regarding USPS package delivery prices. If not confirmed without qualification, please explain fully.
 - b. What percentage of UPS SurePost packages that would qualify as BPM Parcel packages, if delivered by the Postal Service, are instead delivered by UPS drivers? Please provide all underlying calculations.
 - c. What percentage of UPS SurePost packages that would qualify as BPM Parcel packages, if delivered by the Postal Service, destinate in sufficiently close proximity to other UPS package deliveries that they are required to be delivered by UPS drivers? Please provide all underlying calculations.
7. Please refer to pages 7-8 of the Request where it states, "UPS and FedEx commercial customers generally do not pay published rates but rather obtain negotiated rates such that the average rates actually paid are lower than the published rates would suggest."
- a. On average, how much lower than published rates are UPS Ground and FedEx Ground negotiated rates? Please provide the basis of your response and all underlying calculations.
 - b. On average, how much lower than published rates are UPS Ground and FedEx Ground negotiated rates for parcels that are eligible for Bound Printed

Matter Parcel rates? Please provide the basis of your response and all underlying calculations.

- c. Please provide all Postal Service studies regarding how much lower UPS Ground and FedEx Ground negotiated rates are than published rates.
8. Please provide all USPS documents, studies, and analyses regarding the near-term and longer-term pricing of packages currently shipped as BPM Parcels if the PRC approves the proposed BPM Parcel transfer and the financial impact of the BPM Parcel transfer and resulting higher prices on Postal Service finances.
9. Please provide all USPS documents related to and studies and analyses of whether the BPM Parcel product meets the statutory definition of a Market-Dominant product.
10. Please confirm that the Postal Service will not propose transferring the Media Mail product to the competitive product list in the future. If not confirmed, please explain fully and provide all documents, studies, and analyses related to transferring Media Mail to the Competitive product category.